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INFO RUCNMEM/EU MEMBER STATES COLLECTIVE PRIORITY
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DEPARTMENT PASS TO AID/OTI (RPORTER)

E.O. 12958: DECL: 10/08/2018
TAGS: [PGOV](#) [KDEM](#) [VE](#)
SUBJECT: CHAVEZ THREATENS TO DENY OPPOSITION STATES
GOVERNMENT FUNDS

Classified By: POLITICAL COUNSELOR FRANCISCO FERNANDEZ
FOR REASON 1.4 (D)

¶1. (C) Summary. At an October 6 political rally, President Chavez threatened to deny future development funds to state and municipalities run by opposition politicians after the November 23 state and local elections. Chavez said he did not want to give the opposition resources to "steal and conspire to kill" him. Chavez has already reduced funding for states -- pro-government and opposition alike -- but he may face constitutional hurdles and significant political opposition if he tries to "starve" opposition-run polities. Chavez's threat is clearly aimed at undermining opposition campaigns, which continue to run strong in several key states. End Summary.

¶2. (SBU) President Chavez announced October 6 that he will launch a Regional Development Acceleration Program (PADRE) next year to promote infrastructure development in various regions of Venezuela. Chavez told his supporters that he will limit PADRE to pro-government states, as determined by the November state and local elections. Currently, PSUV candidates are favored to win gubernatorial elections in a solid majority of the 22 state races in Venezuela. Chavez publicly justified his intention to refuse financial resources for those states which elect opposition governors by saying, "Why should I send resources to my opposition? So that they can steal and conspire to kill me? They only want to win the gubernatorial and mayoral races so that they can launch another coup d' etat and carry out my assassination."

¶3. (C) The Venezuelan President wrested some fiscal power away from the states before. Last year, Chavez redirected 50 percent of the development funds that flowed from the central government's surplus oil revenues to the states -- both pro-government and opposition -- to community councils. The Office of the Presidency certifies community councils and provides direct funding for their projects. Podemos National Assembly Deputy Juan Jose Molina told PolCouns that Chavez is also curtailing states' abilities to collect road tolls and port and airport taxes.

¶4. (C) Chavez may face political and legal limits on how much farther he can go. According to 1999 Constitution, proceeds from oil and mineral revenues should be used to fund the education and health sectors nation-wide and some 20% of Venezuela's oil revenues currently flow to the states. According to Molina, the Constitution refers to only the amount budgeted for oil revenue, not actual proceeds, which he claims will be less than USD 42 per barrel in the upcoming budget. Anything earned above that amount is not subject to Constitutional spending restrictions. Former Aragua Governor and Un Nuevo Tiempo activist Carlos Tablante told Poloff that Chavez never approved a bill to allow states to collect their

own tax revenues, but he noted that municipalities are able to do so. Should Chavez make good on his threat to "starve" opposition states and municipalities, Tablante predicted that opposition governors and mayors would be able to mobilize mass demonstrations against the Chavez government.

15. (C) Comment. President Chavez's threat to deny development funds to states and municipalities is a blunt effort to give voters real pause before voting against his United Socialist Party of Venezuela (PSUV) candidates. It also appears designed to try to undermine the opposition's efforts to present credible platforms that promise to address pressing local needs. Chavez has already demonstrated that he can accrue more power for the central government at the expense of states and municipalities, and his supporters are promoting further legislation that would allow him to circumvent governors and mayors even more. Nevertheless, Venezuelans generally support decentralization, and any BRV efforts to "starve" opposition-controlled polities may prove to be costly politically.

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